



DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224

SMALL BUSINESS/SELF-EMPLOYED DIVISION

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MEMORANDUM FOR DIRECTORS, COLLECTION AREA OPERATIONS

FROM: Frederick W. Schindler /s/ Laura Hostelley (*for*)  
Director, Collection Policy

SUBJECT: Application of Allowable Living Expense Standards on  
International and Insular Collection Cases

The purpose of this memorandum is to re-issue interim guidance memorandum dated January 8, 2008 with control number SBSE-05-0108-007, titled Application of Allowable Living Expense Standards on International and Insular Collection Cases.

As you may be aware, there are no Allowable Expense standards for international taxpayers. It is very unlikely we will have them in the future. The investment of time relative to the volume of work and the difficulty in obtaining accurate and reliable data are considerations in determining the cost/benefit of such efforts.

When we deal with taxpayers who reside and/or maintain the bulk of their assets outside the United States and Commonwealth Territories, we have limited enforcement tools at our disposal to use as leverage in resolving these cases. Generally it is only with cases where we have domestic levy sources or a Mutual Collection Agreement with the country of taxpayer's residence that we have tools to enforce. Offers in Compromise cases provide for rejection if we are unable to persuade a taxpayer to adhere to a reasonable standard.

In the absence of standardized Allowable Living Expense (ALE) figures for foreign countries, it is important that we apply a consistent and fair approach in what we allow as living expenses for international taxpayers. This is especially important where we have more than one Collection employee or group working cases from the same country.

Where we have no ALE standards and no leverage to enforce collection of a balance due, we should generally accept the taxpayers' submission of living expenses, if they appear reasonable. If we have reason to believe they are significantly overstated, there may be some ways to verify, or at least "sanity check," the amounts provided.

There are several web sites that discuss the cost of living in various countries. Although these may not give specific amounts, they can serve as possible indicators of a very high or very low cost of living in that country.

International Collection groups work certain assigned countries and may be a source of information if concern about what is reasonable remains. The International Collection group managers cover many countries and may be able to provide insight about questionable amounts provided by taxpayers. For information on which group manager to consult, refer to:

<http://sbse.web.irs.gov/Collection/Programs/ForeignAllowExp/default.htm>

One method that should not be used is to set a standard for a foreign country arbitrarily by taking the standard for a United States location and using that as a starting point. This can lead to incorrect conclusions about the true cost of living overseas and may be too high or low for what would be proper for a particular location.

We also do not presently have allowable living expense figures for some expense categories for the US Commonwealth Territories. In categories where there are no ALE figures we also should take the taxpayer's word unless the amounts appear unreasonable. Collection employees should not use any other non-ALE figures as pre-determined guideline figures.

Consistency of treatment of our customers is a vital element of our operations. When dealing with an international or US Commonwealth taxpayer, we must strive to do our best to achieve fair and consistent service.

A revision to IRM 5.15, currently in clearance, will contain the information in this memorandum. If you have any questions, please feel free to contact me, or a member of your staff may contact David Killough, SBSE International and Insular Compliance Policy Analyst.